welfare dimension. Subsidies can correct the under consumption of goods with positive externalities. While the Government is committed to fulfilling its welfare obligation, the present efforts are directed to ensure that the benefits of subsidies are maximized by making them transparent, well designed and targeted.

**Study on subsidy regime**

2820. SHRI SANTOSH BAGRODIA:
SHRI R.K. ANAND:
SHRI HARISH RAWAT:

Will the Minister of FINANCE be pleased to state:

(a) whether Government have commissioned any study on rationalising the subsidy regime;

(b) if so, the details thereof the whether Government are in agreement with the recommendations of the study;

(c) whether Government also acknowledge that the subsidies on food, petroleum and fetiliser have not reached the targeted segments.

(d) if so, whether Government have set up any criterion and the institutional mechanism to identify the targeted segments of the population, if so, the details thereof; and

(e) whether Government also agree with the report and consider small-scale industries, rural development and agricultural research as non-priority sectors and if so, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM) : (a) to (c) The National Common Minimum Programme (NCMP) mandates the Government to target all subsidies to the poor and truly needy sections of the society. In pursuance of this, the National Institute of Public Finance and Policy (NIPFP) was asked to submit a study on subsidies. Based on this study a report, "Central Government subsidies in India", was placed in the Parliament on December 23, 2004. This Report forms the basis for discussion among various stakeholders in the Government's attempt to target subsidies to the poor and truly needy. The report also provides a detailed review of the major subsidies, including impact assessment, which allude to the fact that such subsidies are not fully targeted to the poor and needy.

(d) and (e) The Report has used the criterion of externality to classify the public services provided by Government. Any such classification is somewhat subjective and the proposed policy on subsidies, including prioritization of sectors for levels of subsidisation would be evolved after due process of deliberations with various stakeholders.

**Introduction of VAT**

2821. SHRI RAVULA CHANDRA SEKAR REDDY:
SHRI S. ANBALAGAN:

Will the Minister of FINANCE be pleased to state:

(a) whether Value Added Tax has been introduced from 1st April as scheduled;

(b) if so, the details thereof including the States and Union Territories where the VAT has been implemented;

(c) the benefits to be accrued to the people and Government as a result of implementation of VAT;

(d) whether some States have refused to implement the VAT;

(e) if so, the details thereof and the reasons therefor, State-wise; and

(f) the steps proposed to be taken by the Central Government to solve the problems faced by the States in the implementation of VAT?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM) : (a) and (b) Value Added Tax has been introduced from 1st April, 2005 in many States/UTs. A statement indicating the status of implementation of VAT by States/UTs is annexed. (*See* below)

(c) VAT is a simple, transparent, multi-stage tax with input tax credit, which eliminates cascading of taxes and no consequent price escalation which is beneficial to common public. Further, as decided by the Empowered Committee, it is expected that a number of State level taxes on purchase or sales of goods like State sales tax, turnover tax, purchase tax, additional sales tax, surcharge, entry tax (not in lieu of octroi) will be sub-sumed in VAT. Hence, VAT will decrease multiplicity of taxes.